

8th November 2005

**HONG LEONG BANK's PRE-TAX PROFIT FOR QUARTER ENDED 30TH
SEPTEMBER 2005 OF RM197 MILLION, UP 27% FROM PRECEDING QUARTER**

Robust earnings growth

Hong Leong Bank Berhad today announced a **profit before tax of RM197 million** for the first quarter of its financial year ended 30 June 2006. The result was **27% above** the restated (according to BNM/GP8 guidelines) earnings of RM155 million for the preceding quarter.

The pre-tax profit improvement over the preceding quarter was attributed to the business growth momentum, supported by its strong consumer financing base, higher fee income and lower loan loss provisions.

On a comparison to the same quarter a year ago, the total income was better by **7% to RM379.7 million**, reflecting the sustained underlying business momentum despite the competitive pressure on lending rates and our continued focus on adding value to our customers.

The requirements of the 'Revised Guidelines on Financial Reporting for Licensed Institutions (BNM/GP8)', which took effect in this reporting quarter, have been incorporated into the current quarter. The new guidelines require, among others, for all securities to be classified into the 3 categories, namely 'held-for-trading, available-for-sale and held-to-maturity'. Except for the 'held-to-maturity' securities, all securities and derivatives are marked-to-market and any gain or loss arising from the changes in the fair value have been reflected in the accounts. Also, the results for the corresponding quarter in the previous year have been restated to comply with BNM/GP8.

Fee income grew strongly

The Bank continued to push for fee-based business through our wealth management proposition and personal financial services. **Non-interest income grew strongly by 25%** to RM103 million from RM82 million for the same quarter a year ago, through higher earnings from wealth management, unit trust, bancassurance, treasury and forex trades and Singapore branch investment product offerings.

Consumer lending continued as a pillar for growth

The Bank continued to actively target for **growth in consumer lending** with competitive mortgage loans and innovative offerings. The Bank recently launched its Hong Leong Mobile Credit Card, the world's first innovation to payment system where customers are now allowed to make payments from wherever they are via SMS and security pin.

"We are very pleased to be the first bank to be given the opportunity to partner with Mobile Money International to offer this payment system. Transaction-based banking such as mobile credit card, credit card transactions, payments including online and self-service banking are areas that the Bank will continue to promote." said Ms Yvonne Chia, Group Managing Director of Hong Leong Bank.

Islamic Banking: full speed ahead

Islamic Banking, as spearheaded by the subsidiary Hong Leong Islamic Bank Berhad, continued to show **good momentum by contributing 9%** of the Bank group pre-tax profits for this current quarter.

To expand our product range and innovate on the Islamic offerings, we have launched new products such as Hong Leong One Account- i (current account) and enhanced 'daily rest' Islamic Mortgage Flexi- i.

Loan quality improving

Asset quality continued to strengthen as a result of our prudent lending policy and robust collection management. The **net NPL ratio improved to 4.3%** from 4.6% in the preceding quarter.

Strong capital ratio

The **risk-weighted capital ratio was at 19.11%** (before deducting proposed dividends) as of 30th September 2005, up from 17.37% as at 30th June 2005, due to the subordinated bonds issue that helped to boost the regulatory capital base. We remain amongst the banks with the highest capital ratio. Additionally, as part of capital management strategy, the Bank had to-date bought back a total of 52,152,700 shares or RM278 million, representing 3.3% of the issued and paid-up capital and none of the Treasury shares held have been sold nor canceled.

Dividends declared

There are no dividends declared for this 1st quarter interim results.

For further details, visit www.hlb.com.my or
www.bursamalaysia.com/website/listing/lcannounce/lca.htm

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